

BANK INDONESIA REGULATION

NUMBER 22/12/PBI/2020

ON

SETTLEMENT FOR BILATERAL TRANSACTIONS USING LOCAL  
CURRENCIES THROUGH BANK

BY THE BLESSINGS OF ALMIGHTY GOD

GOVERNOR OF BANK INDONESIA,

Considering : a. that Bank Indonesia aims to achieve and maintain rupiah stability;

b. that to achieve and maintain rupiah stability, it is necessary to mitigate the risk of rupiah fluctuation through cooperation between Bank Indonesia and partner country's authority by promoting the use of local

currency for settlement of bilateral transactions between Indonesia and partner countries;

- c. that one of the efforts to promote the use of local currency is made through cooperation between Bank Indonesia and partner country's authority to promote the use of local currency, which is implemented by appointing banks to facilitate activities and transactions by using local currencies;
- d. that to anticipate cooperation between Bank Indonesia and partner country's authority, it is necessary to improve provisions on settlement for bilateral transactions using local currency;
- e. that based on the considerations as referred to in point a to point d, it is necessary to establish Bank Indonesia Regulation on Settlement for Bilateral Transactions Using Local Currencies through Bank;

- Observing : 1. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as several times and last amended by Law Number 6 of 2009 on Establishment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia as a Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962);
2. Law Number 24 of 1999 on Foreign Exchange Flow and Exchange Rate System (State Gazette of the Republic of Indonesia of 1999 Number 67, Supplement to State Gazette of the Republic of Indonesia Number 3844);

HAS DECIDED:

To enact: BANK INDONESIA REGULATION ON SETTLEMENT FOR BILATERAL TRANSACTIONS USING LOCAL CURRENCIES THROUGH BANK.

CHAPTER I  
GENERAL PROVISIONS

Article 1

In this Bank Indonesia Regulation:

1. Bank means a bank which carries on business activities in a conventional manner and/or according to sharia principles and provides payment services, including a branch office of a bank domiciled overseas.
2. Settlement for Bilateral Transactions Using Local Currencies Through Bank or Local Currency Settlement, hereinafter referred to as LCS, means settlement of bilateral transactions by entities in Indonesia and a partner country by using the local currency of each country.
3. Partner Country means a country whose authority has made LCS cooperation with Bank Indonesia.
4. Appointed Cross Currency Dealer Bank, hereinafter referred to as ACCD Bank, means an appointed bank to settle certain financial activities and transactions for the purpose of LCS implementation.
5. Indonesian ACCD Bank means ACCD Bank in Indonesia.
6. Partner Country's ACCD Bank means ACCD Bank in a Partner Country.

7. Rupiah Special Purpose Non-Resident Account, hereinafter referred to as Rupiah SNA, means a special account owned by Partner Country's ACCD Bank denominated in rupiah opened in Indonesian ACCD Bank for the purpose of LCS implementation.
8. Rupiah Sub-Special Purpose Non-Resident Account, hereinafter referred to as Rupiah Sub-SNA, means a special account owned by LCS customer in a Partner Country denominated in rupiah opened in the Partner Country's ACCD Bank for the purpose of LCS implementation.
9. Special Purpose Non-Resident Account in a Partner Country's Currency, hereinafter referred to as Partner's SNA, means a special account owned by Indonesian ACCD Bank denominated in a Partner Country's currency opened in the Partner Country's ACCD Bank for the purpose of LCS implementation.
10. Sub-Special Purpose Non-Resident Account in a Partner Country's Currency, hereinafter referred to as Partner's Sub-SNA, means a special account owned by Indonesian LCS customer denominated in a Partner Country's currency opened in Indonesian ACCD Bank for the purpose of LCS implementation.
11. Underlying Transaction means all economic activities that underlie LCS implementation.

12. Financing means financing provided by ACCD Bank to LCS customer in each country.
13. Indonesian LCS Customer means a party who conducts Underlying Transactions with a Partner Country's LCS customer.
14. Financial Transaction means a transaction in rupiah or foreign currency against a Partner Country's currency.
15. Day means a business day.

## CHAPTER II

### INDONESIAN ACCD BANK

#### Part One

#### Appointment of Indonesian ACCD Bank

#### Article 2

- (1) Bank Indonesia and Partner Country's authority determine criteria for ACCD Bank.
- (2) Based on the criteria jointly determined by Bank Indonesia and Partner Country's authority as referred to in paragraph (1), Bank Indonesia appoints Bank as Indonesian ACCD Bank.
- (3) Further provisions for:

- a. criteria for ACCD Bank as referred to in paragraph (1); and
  - b. appointment of Bank as Indonesian ACCD Bank as referred to in paragraph (2),
- shall be regulated in a Regulation of Member of Board of Governors.

## Part Two

### Termination of Appointment of Indonesian ACCD Bank

#### Article 3

- (1) Bank Indonesia may terminate a Bank's appointment as Indonesian ACCD Bank.
- (2) The termination of appointment of a Bank as Indonesian ACCD Bank as referred to in paragraph (1) may be conducted:
  - a. based on a joint evaluation result between Bank Indonesia and Partner Country's authority;
  - b. in the event that the business license of the Indonesian ACCD Bank is revoked by the authorized authority;
  - c. in the event that the Indonesian ACCD Bank executes a corporate action and the Indonesian ACCD Bank is not the result of the corporate action;  
or
  - d. based on the request of the Indonesian ACCD Bank.

- (3) Further provisions for the procedure for termination of appointment of a Bank as Indonesian ACCD Bank as referred to in paragraph (2) shall be regulated in a Regulation of Member of Board of Governors.

#### Article 4

In the event that a Bank resulted from a corporate action as referred to in Article 3 paragraph (2) point c wishes to become ACCD Bank, then the Bank may submit an application as Indonesian ACCD Bank provided that it meets the criteria as referred to in Article 2.

#### Article 5

- (1) Indonesian ACCD Bank which:
  - a. is in the process of business license revocation as referred to in Article 3 paragraph (2) point b; or
  - b. plans to execute a corporate action as referred to in Article 3 paragraph (2) point c,is required to notify Bank Indonesia.
- (2) Further provisions for the procedure for notification submission to Bank Indonesia as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.



#### Article 6

- (1) Indonesian ACCD Bank which breaches the provisions as referred to in Article 5 paragraph (1) shall be subject to an administrative sanction in the form of written warning.
- (2) Further provisions for the procedure for the sanction imposition as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

### CHAPTER III

#### FINANCIAL ACTIVITIES AND FINANCIAL TRANSACTIONS

##### INDONESIAN ACCD BANK

##### Part One

##### General

#### Article 7

For the purpose of LCS implementation, Indonesian ACCD Bank may conduct:

- a. financial activities; and
- b. Financial Transactions.

## Part Two

### Financial Activities for the Purpose of LCS Implementation

#### Article 8

The financial activities conducted by Indonesian ACCD Bank for the purpose of LCS implementation as referred to in Article 7 point a include:

- a. opening of Rupiah SNA and Partner's SNA;
- b. opening of Partner's Sub-SNA;
- c. management of balance of Rupiah SNA and Partner's SNA and management of balance of Rupiah Sub-SNA and Partner's Sub-SNA;
- d. fund transfer; and
- e. Financing.

#### Part 1

### Opening of Rupiah SNA and Partner's SNA

#### Article 9

- (1) Indonesian ACCD Bank accepts the opening of Rupiah SNA by Partner Country's ACCD Bank.
- (2) Indonesian ACCD Bank opens Partner's SNA at Partner Country's ACCD Bank.
- (3) Further provisions for opening of:
  - a. Rupiah SNA as referred to in paragraph (1); and

b. Partner's SNA as referred to in paragraph (2), shall be regulated in a Regulation of Member of Board of Governors.

#### Article 10

- (1) Indonesian ACCD Bank must monitor and ensure that its Rupiah SNA balance does not exceed a certain nominal amount at the end of the Day.
- (2) The Rupiah SNA balance at Indonesian ACCD Bank as referred to in paragraph (1) may exceed a certain nominal amount at the end of the Day subject to certain requirements.
- (3) Further provisions for:
  - a. the certain nominal amount of Rupiah SNA as referred to in paragraph (1); and
  - b. the certain requirements as referred to in paragraph (2),shall be regulated in a Regulation of Member of Board of Governors.

#### Article 11

- (1) Indonesian ACCD Bank must monitor and ensure that Partner's SNA balance at a Partner ACCD Bank does not exceed a certain nominal amount at the end of the Day.

- (2) The provisions as referred to in paragraph (1) are exempted for LCS implementation with certain Partner Countries.
- (3) Further provisions for:
  - a. the certain nominal amount of Partner's SNA as referred to in paragraph (1); and
  - b. the LCS implementation with certain Partner Countries as referred to in paragraph (2),shall be regulated in a Regulation of Member of Board of Governors.

#### Article 12

The Rupiah SNA balance as referred to in Article 10 paragraph (1) will not be considered as a Bank's short-term offshore debt as referred to in Bank Indonesia provisions for bank's offshore debts and other liabilities in foreign currencies.

## Part 2

### Opening of Partner's Sub-SNA

#### Article 13

- (1) Indonesian ACCD Bank accepts the opening of Partner's Sub-SNA for the purpose of LCS implementation.
- (2) The debit and credit in Partner's Sub-SNA balance must be applied according to certain criteria.
- (3) Further provisions for:
  - a. the opening of Partner's Sub-SNA as referred to in paragraph (1); and
  - b. the certain criteria as referred to in paragraph (2), shall be regulated in a Regulation of Member of Board of Governors.

#### Article 14

In the opening of Partner's Sub-SNA as referred to in Article 13, Indonesian ACCD Bank assesses the compatibility of:

- a. the profile of Indonesian LCS Customer; and
- b. economic activities of the Indonesian LCS Customer, with the financial activities and Financial Transactions which may be conducted under LCS scheme facilitated by Indonesian ACCD Bank.

### Part 3

#### Management of Balance of Rupiah SNA and Partner's SNA and Balance of Rupiah Sub-SNA and Partner's Sub-SNA

#### Article 15

- (1) To ensure Partner's SNA balance at Partner ACCD Bank does not exceed a certain nominal amount at the end of the Day as referred to in Article 11, Indonesian ACCD Bank may manage Partner's SNA balance through:
  - a. investment in financial assets in Partner Country's currency in a Partner Country;
  - b. swap transaction in a Partner Country's currency against rupiah and/or foreign currency with Indonesian ACCD Bank and/or Partner Country's ACCD Bank; and/or
  - c. conversion to different currencies.
- (2) Indonesian ACCD Bank is prohibited from making the investment as referred to in paragraph (1) point a in the form of certain financial instruments.
- (3) Further provisions for:
  - a. the management of Partner's SNA balance as referred to in paragraph (1); and
  - b. the certain financial instruments as referred to in paragraph (2),

shall be regulated in a Regulation of Member of Board of Governors.

#### Article 16

- (1) Indonesian ACCD Bank which breaches the provisions as referred to in Article 15 paragraph (2) shall be subject to an administrative sanction in the form of written warning.
- (2) Further provisions for the procedure for the sanction imposition as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

#### Article 17

- (1) LCS Customer may invest the balance of Rupiah Sub-SNA and Partner's Sub-SNA in financial assets denominated in rupiah or Partner Country's currency in a Partner Country in the form of certain financial instruments.
- (2) Further provisions for the investment in the balance of Rupiah Sub-SNA and Partner's Sub-SNA and the certain financial instruments as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

Article 18

- (1) Indonesian ACCD Bank is prohibited to execute an order of investment in the balance of Partner's Sub-SNA in the form of certain financial instruments as referred to in Article 17 paragraph (1).
- (2) Indonesian ACCD Bank which breaches the provisions as referred to in paragraph (1) shall be subject to an administrative sanction in the form of written warning.
- (3) Further provisions for the procedure for the sanction imposition as referred to in paragraph (2) shall be regulated in a Regulation of Member of Board of Governors.

Article 19

- (1) ACCD Bank may execute an order of cash withdrawal and cash deposit in a Partner's Sub-SNA.
- (2) The cash withdrawal and cash deposit in a Partner's Sub-SNA as referred to in paragraph (1) must be conducted according to certain criteria.
- (3) In the event that an order of the cash withdrawal and cash deposit does not meet the criteria as referred to in paragraph (2), Indonesian ACCD Bank is prohibited to execute the order in a Partner's Sub-SNA.
- (4) Further provisions for:



- a. the cash withdrawal and cash deposit in a Partner's Sub-SNA as referred to in paragraph (1);  
and
- b. the certain criteria as referred to in paragraph (2),  
shall be regulated in a Regulation of Member of Board of Governors.

#### Article 20

- (1) Indonesian ACCD Bank which breaches the provisions as referred to in Article 19 paragraph (3) shall be subject to an administrative sanction in the form of written warning.
- (2) Further provisions for the procedure for the sanction imposition as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

#### Part 4

#### Fund Transfer

#### Article 21

- (1) Indonesian ACCD Bank may transfer fund in rupiah under the following provisions:
  - a. between Rupiah SNAs; and/or

b. from a Rupiah SNA to a Rupiah non-SNA at ACCD Bank or non-ACCD Bank.

(2) Further provisions for fund transfer in rupiah and a Partner Country's currency shall be regulated in a Regulation of Member of Board of Governors.

#### Article 22

(1) Cash transaction settlement in rupiah must be conducted in Indonesia.

(2) Cash transaction settlement in a Partner Country's currency may be conducted according to certain criteria.

(3) Further provisions for:

a. the cash transaction settlement as referred to in paragraph (1); and

b. the certain criteria as referred to in paragraph (2), shall be regulated in a Regulation of Member of Board of Governors.

#### Article 23

(1) Indonesian ACCD Bank transfers balance between Partner's Sub-SNA according to certain criteria.

(2) In the event that any transfer of balance between Partner's Sub-SNA does not meet the criteria as referred to in paragraph (1), Indonesian ACCD Bank is

prohibited to execute the transfer order to the relevant Partner's Sub-SNA.

- (3) Further provisions for:
- a. the criteria for the balance transfer as referred to in paragraph (1); and
  - b. the prohibition to execute the transfer order to the relevant Partner's SNA as referred to in paragraph (2),
- shall be regulated in a Regulation of Member of Board of Governors.

#### Article 24

- (1) Indonesian ACCD Bank which breaches the provisions as referred to in Article 23 paragraph (2) shall be subject to an administrative sanction in the form of written warning.
- (2) Further provisions for the procedure for the sanction imposition as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

Part 5

Financing

Article 25

- (1) Indonesian ACCD Bank may provide Financing in a Partner Country's currency to Indonesian LCS Customer.
- (2) The Financing as referred to in paragraph (1) takes the following forms:
  - a. trade financing; and/or
  - b. direct investment financing.
- (3) The Financing as referred to in paragraph (2) must have an Underlying Transaction as follows:
  - a. Underlying Transaction for trade financing which includes all trade of goods and services; or
  - b. Underlying Transaction for direct investment financing which includes all direct investment activities.
- (4) The direct invests financing as referred to in paragraph (2) point b must be provided by considering the relevant regulations on Financing activities by Banks and applying the prudential principle.
- (5) Provision of fund in a Partner Country's currency for Financing as referred to in paragraph (1) is conducted through:

- a. transaction in rupiah or foreign currency against a Partner Country's currency through a swap transaction; or
  - b. direct borrowing,  
with Indonesian ACCD Bank and/or Partner Country's ACCD Bank.
- (6) Further provisions for:
- a. the Underlying Transaction as referred to in paragraph (3); and
  - b. the provision of fund as referred to in paragraph (5),
- shall be regulated in a Regulation of Member of Board of Governors.

#### Article 26

- (1) The direct borrowing as referred to in Article 25 paragraph (5) point b is required to have an Underlying Transaction which is proven by Financing documents as referred to in Article 25 paragraph (2).
- (2) The direct borrowing term as referred to in paragraph (1) is prohibited to exceed 1 (one) year and prohibited to exceed the term of Underlying Transaction in the form of Financing.

#### Article 27

- (1) Indonesian ACCD Bank which breaches the provisions as referred to in Article 26 shall be subject to an administrative sanction in the form of written warning.
- (2) Further provisions for the procedure for the sanction imposition as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

#### Article 28

The direct borrowing as referred to in Article 25 paragraph (5) point b from a Partner Country's ACCD Bank will not be considered as a Bank's short-term offshore debts as referred to in Bank Indonesia provisions for bank's offshore debts and other liabilities in foreign currencies.

#### Article 29

To provide Financing in rupiah by a Partner Country's ACCD Bank to Partner Country's LCS customer, Indonesian ACCD Bank:

- a. accepts transactions in a Partner Country's currency or foreign currency against rupiah through swap transactions; and/or
- b. place rupiah at a Partner Country's ACCD Bank.

Part Three

Financial Transactions for the Purpose of LCS

Implementation

Part 1

Financial Transactions

Article 30

The Financial Transactions as referred to in Article 7 point b include:

- a. spot transactions;
- b. forward transactions;
- c. swap transactions; and/or
- d. other transactions determined based on an agreement between Bank Indonesia and a Partner Country's authority.

Article 31

(1) The Financial Transactions as referred to in Article 30 are conducted by:

- a. Indonesian ACCD Bank with other Indonesian ACCD Bank; and/or
- b. Indonesian ACCD Bank with Partner Country's ACCD Bank.

- (2) The Financial Transactions as referred to in paragraph (1) are conducted for the purpose of:
  - a. *squaring position*; and/or
  - b. liquidity management.
- (3) The Financial Transactions which are conducted for the activities as referred to in paragraph (2) may be conducted without any Underlying Transaction.
- (4) Further provisions for Financial Transactions for the *squaring position* implementation as referred to in paragraph (2) shall be regulated in a Regulation of Member of Board of Governors.

#### Article 32

- (1) The Financial Transactions as referred to in Article 30 are conducted by Indonesian ACCD Bank with:
  - a. Indonesian LCS Customer;
  - b. Indonesian non-ACCD Bank which acts for the interest of Indonesian LCS Customer; or
  - c. Partner Country's non-ACCD Bank based on an Underlying Transaction which is conducted by Indonesian LCS Customer.
- (2) The transactions as referred to in paragraph (1) point b and point c are conducted for the purpose of *squaring position* implementation.



- (3) The Financial Transactions as referred to in paragraph (1) which meet certain criteria are required to have an Underlying Transaction which is proven by Underlying Transaction documents.
- (4) The Financial Transactions according to certain criteria as referred to in paragraph (3) are exempted from Bank Indonesia provisions for transactions in foreign currencies against rupiah between banks and domestic parties.
- (5) Further provisions for:
  - a. the Financial Transactions for the purpose of squaring position implementation as referred to in paragraph (2); and
  - b. the Financial Transactions according to certain criteria as referred to in paragraph (3),shall be regulated in a Regulation of Member of Board of Governors.

## Part 2

### Adjustment to Financial Transaction Settlement

#### Article 33

- (1) The Financial Transactions as referred to in Article 30 may be adjusted in the following forms:
  - a. rollover transactions;

- b. early termination; or
  - c. unwind/cancel up.
- (2) Further provisions for the adjustment to Financial Transactions as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

#### Article 34

- (1) The Financial Transaction settlement as referred to in Article 30 and adjustment to Financial Transaction settlement as referred to in Article 33 are conducted in the following ways:
- a. gross transfer of principal fund; or
  - b. netting transfer of principal fund.
- (2) Further provisions for the Financial Transaction settlement and adjustment to Financial Transaction settlement as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

### Part 3

#### Swap Transaction Position

##### Article 35

- (1) The gross position of swap transaction as referred to in Article 15 paragraph (1) point b, Article 25 paragraph (5) point a, Article 29 point a, and Article 30 point c are prohibited to exceed a certain amount at the end of the Day.
- (2) Further provisions for the swap transaction as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

##### Article 36

- (1) Indonesian ACCD Bank which breaches the provisions as referred to in Article 35 paragraph (1) shall be subject to an administrative sanction in the form of written warning.
- (2) Further provisions for the procedure for the sanction imposition as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

CHAPTER IV  
UNDERLYING TRANSACTIONS

Part One

General Principles of Underlying Transactions

Article 37

- (1) The Financing as referred to in Article 8 point e and Financial Transactions as referred to in Article 30 are required to have Underlying Transactions which are proven by Underlying Transaction documents.
- (2) The obligation as referred to in paragraph (1) does not apply to Financial Transactions according to certain criteria.
- (3) The nominal amount of the Financing and Financial Transactions as referred to in paragraph (1) are prohibited to exceed the nominal amount of the Underlying Transaction.
- (4) The term of the Financing and Financial Transactions as referred to in paragraph (1) are prohibited to exceed the term of the Underlying Transaction.
- (5) Further provisions for the Financial Transaction criteria as referred to in paragraph (2) shall be regulated in a Regulation of Member of Board of Governors.

#### Article 38

- (1) Indonesian ACCD Bank which breaches the provisions as referred to in Article 32 paragraph (3) and Article 37 shall be subject to an administrative sanction in the form of written warning.
- (2) Further provisions for the procedure for the sanction imposition as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

#### Part Two

#### Types of Underlying Transactions

#### Article 39

- (1) The Underlying Transactions for the purpose of LCS implementation are as follows:
  - a. current account transactions between Indonesian LCS Customer and Partner Country's LCS customer in the following forms:
    1. all trade of goods and services between Indonesia and Partner Country;
    2. all primary income transactions includes:
      - a) receipt and payment transactions of employee compensation; and
      - b) investment income from:

- 1) direct investment;
    - 2) portfolio investment; and/or
    - 3) other investments; and
  3. all secondary income transactions includes:
    - a) receipt and payment of government sector;
    - b) receipt and payment of other sectors, including remittance; and
    - c) other similar transactions, but excluding grant, gift, donation, and/or the similar;
  - b. all direct investment activities between Indonesian LCS Customer and Partner Country's LCS customer in the following forms:
    1. investment between Indonesian LCS Customer and Partner Country's LCS customer, with minimum equity ownership of 10% (ten percent); or
    2. intercompany loan in the same group; or
  - c. other Underlying Transactions.
- (2) ACCD Bank is prohibited from facilitating LCS to LCS customer beyond the scope of the Underlying Transactions for the purpose of LCS implementation as referred to in paragraph (1).

- (3) Further provisions for the Underlying Transactions as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

#### Article 40

- (1) Indonesian ACCD Bank which breaches the provisions as referred to in Article 39 paragraph (2) shall be subject to an administrative sanction in the form of written warning.
- (2) Further provisions for the procedure for the sanction imposition as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

#### Part Three

#### Underlying Transaction Documents

#### Article 41

- (1) The Underlying Transaction documents as referred to in Article 37 paragraph (1) consist of:
  - a. final Underlying Transaction documents; or
  - b. anticipatory basis Underlying Transaction documents.

- (2) The anticipatory basis Underlying Transaction documents as referred to in paragraph (1) point b use gross basis or net basis.
- (3) Further provisions for the Underlying Transaction documents as referred to in paragraph (1) and paragraph (2) shall be regulated in a Regulation of Member of Board of Governors.

## CHAPTER V

### PRICE QUOTATION

#### Article 42

- (1) Indonesian ACCD Bank is required to issue direct quotation of Partner Country's currency against rupiah.
- (2) The direct quotation as referred to in paragraph (1) must:
  - a. reflect the fair price in the foreign currency market;
  - and
  - b. be hittable.
- (3) Further provisions for the procedure, frequency, and information provider for direct quotation issuance of Partner Country's currency against rupiah shall be regulated in a Regulation of Member of Board of Governors.



Article 43

- (1) Indonesian ACCD Bank which breaches the provisions as referred to in Article 42 paragraph (1) shall be subject to an administrative sanction in the form of written warning.
- (2) Further provisions for the procedure for the sanction imposition as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

CHAPTER VI

OPEN POSITION OF TRANSACTIONS IN PARTNER  
COUNTRY'S CURRENCY AGAINST RUPIAH AND/OR  
FOREIGN CURRENCY

Article 44

- (1) Indonesian ACCD Bank may have an open position of transactions in Partner Country's currency at the end of the Day for the purpose of LCS implementation.
- (2) The open position of transactions in Partner Country's currency as referred to in paragraph (1) is prohibited to exceed a certain amount at the end of the Day.
- (3) Further provisions for the open position of transactions in Partner Country's currency as referred to in

paragraph (1) and paragraph (2) shall be regulated in a Regulation of Member of Board of Governors.

#### Article 45

- (1) Indonesian ACCD Bank which breaches the provisions as referred to in Article 44 paragraph (2) shall be subject to an administrative sanction in the form of written warning.
- (2) Further provisions for the procedure for the sanction imposition as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

### CHAPTER VII

#### NON-DELIVERABLE FORWARD TRANSACTIONS

#### Article 46

- (1) Indonesian ACCD Bank is prohibited to conduct any non-deliverable forward (NDF) transaction in rupiah against Partner Country's currency as regulated in Bank Indonesia provisions for domestic non-deliverable forward (DNDF) transactions.
- (2) Indonesian ACCD Bank which breaches the provisions as referred to in paragraph (1) shall be sanctioned as

regulated in Bank Indonesia provisions for domestic non-deliverable forward (DNDF) transactions.

## CHAPTER VIII

### DEVELOPMENT OF INDONESIAN ACCD BANK SERVICES

#### Article 47

- (1) Indonesian ACCD Bank may provide certain financial activity and Financial Transaction services for the purpose of LCS implementation to be connected with features, types, services, and/or facilities of products and/or activities in payment system services.
- (2) The services provision as referred to in paragraph (1) refers to Bank Indonesia provisions for payment system.

## CHAPTER IX

### STANDARD OPERATING PROCEDURE

#### Article 48

Indonesian ACCD Bank is required to have a guideline in the form of standard operating procedure for the purpose of LCS implementation, which at least includes:

- a. Know Your Customer (KYC) principle; and
- b. internal audit implementation of LCS transactions.

Article 49

- (1) Indonesian ACCD Bank which breaches the provisions as referred to in Article 48 shall be subject to an administrative sanction in the form of written warning.
- (2) Further provisions for the procedure for the sanction imposition as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

CHAPTER X

REPORTING

Article 50

- (1) Indonesian ACCD Bank is required to set up and submit:
  - a. report; and/or
  - b. report correction,of financial activities and Financial Transactions for the purpose of LCS implementation to Bank Indonesia as referred to in Article 7.
- (2) Bank Indonesia may request incidental reports to Indonesian ACCD Bank.
- (3) The report and/or report correction will be submitted offline if online reporting system is unavailable.

- (4) Further provisions for the procedure and frequency of report and report correction submission as referred to in paragraph (1) and paragraph (2) shall be regulated in a Regulation of Member of Board of Governors.

#### Article 51

- (1) Indonesian ACCD Bank which breaches the provisions as referred to in Article 50 paragraph (1) shall be subject to an administrative sanction in the form of written warning.
- (2) The sanction imposition as referred to in paragraph (1) does not omit the obligation of Indonesian ACCD Bank to submit the reports as referred to in Article 50 paragraph (1) and paragraph (2).
- (3) Provisions for reporting sanctions as referred to in paragraph (1) start to apply against Indonesian ACCD Bank after 3 (three) reporting periods.
- (4) Further provisions for the procedure for the sanction imposition as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

#### Article 52

- (1) Submission of report and/or report correction as referred to in Article 50 paragraph (1) is exempted for Indonesian ACCD Bank which experiencing:
  - a. technical failure; and/or
  - b. force majeure.
- (2) Further provisions for the procedure for submission of report and/or report correction as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

### CHAPTER XI

#### SUPERVISION

#### Article 53

- (1) Bank Indonesia supervises financial activities and Financial Transactions of Indonesian ACCD Bank for the purpose of LCS implementation.
- (2) The supervision as referred to in paragraph (1) includes:
  - a. off-site supervision; and/or
  - b. on-site supervision.
- (3) In conducting the supervision as referred to in paragraph (1), Bank Indonesia may coordinate with other authorized authority.

- (4) If deemed necessary, Bank Indonesia may assign another party to conduct the onsite supervision as referred to in paragraph (2) point b.
- (5) The other party assigned to conduct onsite supervision as referred to in paragraph (4) is required to maintain confidentiality of data, information, and details obtained from the onsite supervision result.

#### Article 54

- (1) For the purpose of on-site supervision, Indonesian ACCD Bank is required to provide and submit data, information, and/or details required by Bank Indonesia.
- (2) Indonesian ACCD Bank is required to be responsible for the accuracy of data, information, and/or details submitted to Bank Indonesia as referred to in paragraph (1).

#### Article 55

- (1) Indonesian ACCD Bank which breaches the provisions as referred to in Article 54 shall be subject to an administrative sanction in the form of written warning.
- (2) Further provisions for the procedure for the sanction imposition as referred to in paragraph (1) shall be

regulated in a Regulation of Member of Board of Governors.

## CHAPTER XII

### MISCELLANEOUS PROVISIONS

#### Article 56

- (1) In the event that Indonesian ACCD Bank shall be subject to sanction in the form a written warning, Bank Indonesia may notify the authorized authority.
- (2) Further provisions for the submission of information to the authorized authority as referred to in paragraph (1) shall be regulated in a Regulation of Member of Board of Governors.

## CHAPTER XIII

### CLOSING PROVISIONS

#### Article 57

When this Bank Indonesia Regulation comes into force, all implementing regulations of Bank Indonesia Regulation Number 19/11/PBI/2017 on Settlement for Bilateral Transactions Using Local Currencies Through Bank (State Gazette of the Republic of Indonesia of 2017 Number 213, Supplement to State Gazette of the Republic of Indonesia



Number 6127) are declared to remain effective to the extent not contrary to provision in this Bank Indonesia Regulation.

#### Article 58

When this Bank Indonesia Regulation comes into force, Bank Indonesia Regulation Number 19/11/PBI/2017 on Settlement for Bilateral Transactions Using Local Currencies Through Bank (State Gazette of the Republic of Indonesia of 2017 Number 213, Supplement to State Gazette of the Republic of Indonesia Number 6127) is repealed and declared ineffective.

#### Article 59

This Bank Indonesia Regulation comes into force on the date of its promulgation. In order that every person may know hereof, it is ordered to promulgated this Bank Indonesia Regulation by its placement in State Gazette of the Republic of Indonesia.

Issued in Jakarta  
on 27 August 2020

GOVERNOR OF BANK INDONESIA,

SIGNED

PERRY WARJIYO

Promulgated in Jakarta  
on 28 August 2020

MINISTER OF LAW AND HUMAN RIGHTS OF  
THE REPUBLIC OF INDONESIA,

SIGNED

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2020 NUMBER 198

ELUCIDATION  
OF  
BANK INDONESIA REGULATION  
NUMBER 22/12/PBI/2020  
ON  
SETTLEMENT FOR BILATERAL TRANSACTIONS USING LOCAL  
CURRENCIES THROUGH BANK

I. GENERAL

Rupiah exchange rate stability is one of the main requisites to achieve financial system stability. To achieve rupiah exchange rate stability, Bank Indonesia issues different policies, among others through implementation of prudential principle in relation to offshore debts and implementation of mandatory Underlying Transactions for transactions in foreign currencies against rupiah.

In maintaining rupiah exchange rate stability, Bank Indonesia cooperates with Partner Country's authority to encourage local currency

settlement. The cooperation is conducted through appointment of Banks to facilitate financial activities and Financial Transactions by using local currencies.

Local currency settlement has been the Government's concern, and as one of the efforts to encourage such settlement, the Government has issued Government Regulation Number 23 of 2020 on the Execution of the National Economic Recovery Program in the event of Supporting State Financial Policies in Mitigating the Coronavirus Disease (COVID-19) Pandemic and/or Other Threats to the National Economy and/or the Stability of the Financial System as well as in Saving the National Economy as amended by Government Regulation Number 43 of 2020 on Amendment to Government Regulation Number 23 of 2020 on the Execution of the National Economic Recovery Program in the event of Supporting State Financial Policies in Mitigating the Coronavirus Disease (COVID-19) Pandemic and/or Other Threats to the National Economy and/or the Stability of the Financial System as well as in Saving the National Economy.

## II. ARTICLE BY ARTICLE

### Article 1

Sufficiently clear.

### Article 2

Sufficiently clear.

### Article 3

#### Paragraph (1)

Sufficiently clear.

#### Paragraph (2)

##### Point a

Evaluation of appointment of Indonesian ACCD Bank is conducted by considering, among others are business development of Indonesian ACCD Banks for the purpose of LCS implementation and compliance of Indonesian ACCD Bank with provisions for LCS.

##### Point b

Revocation of Bank's business license includes self-liquidation and liquidation based on the result of supervision by the authorized authority.

##### Point c

The term "corporate action" means merger, consolidation, spin off, and/or integration.

Example:

Bank A is Indonesian ACCD Bank, which takes a corporate action in the form of merger with Bank B which is not Indonesian ACCD Bank, resulting in Bank B.

Therefore, the appointment of Bank A as Indonesian ACCD Bank terminates.

Point d

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 4

Sufficiently clear.

Article 5

Sufficiently clear.

Article 6

Sufficiently clear.

Article 7

Sufficiently clear.

Article 8

Sufficiently clear.

Article 9

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Opening of Partner's SNA refers to the applicable provisions in a Partner Country.

Paragraph (3)

Sufficiently clear.

Article 10

Paragraph (1)

Example:

Bank A, which is a Partner Country's ACCD Bank, has Rupiah SNA at Bank B and Bank C, which are Indonesian ACCD Banks.

Bank B must ensure the Rupiah SNA balance of Bank A administered in Bank B does not exceed a certain nominal amount.

Bank C must ensure the Rupiah SNA balance of Bank A administered in Bank C does not exceed a certain nominal amount.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 11

Paragraph (1)

Example:

Bank A, which is Indonesian ACCD Bank, has Partner's SNA account at Bank B and Bank C, which are Partner Country's ACCD Banks.

Bank A must ensure the Partner's SNA balance administered in Bank B and Bank C does not exceed a certain nominal amount.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 12

Sufficiently clear.

Article 13

Sufficiently clear.

Article 14

Point a

Sufficiently clear.

Point b

The term “economic activities of the Indonesian LCS Customer” means bilateral trade of goods and services, primary income, secondary income, and/or investment transactions in the form of direct investment and/or other transactions according to LCS framework between Indonesia and Partner Country.



## Article 15

### Paragraph (1)

The portion of Partner's SNA balance which has been invested, swap transacted, or converted to different currencies does not constitute a portion of a certain nominal amount at the end of the Day because it is debited from the Partner's SNA balance.

### Paragraph (2)

Sufficiently clear.

### Paragraph (3)

Sufficiently clear.

## Article 16

Sufficiently clear.

## Article 17

### Paragraph (1)

The term of “LCS Customer” means Indonesian LCS Customer and Partner Country’s LCS customer.

### Paragraph (2)

Sufficiently clear.

## Article 18

Sufficiently clear.

Article 19

Sufficiently clear.

Article 20

Sufficiently clear.

Article 21

Paragraph (1)

Point a

Sufficiently clear.

Point b

Rupiah non- SNA account includes:

- a. ACCD Bank accounts or non-ACCD Bank accounts;  
and
- b. rupiah accounts of Indonesian LCS Customer,  
resident's rupiah accounts, and rupiah external  
accounts recorded at ACCD Banks and/or non-  
ACCD Banks.

The term of "rupiah external account" means rupiah  
account held by non-residents and recorded by Banks in  
Indonesia.

Paragraph (2)

Sufficiently clear.

Article 22

Sufficiently clear.

Article 23

Sufficiently clear.

Article 24

Sufficiently clear.

Article 25

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Financing may be conducted by using fund in a Partner  
Country's currency owned by Indonesian ACCD Bank.

Paragraph (6)

Sufficiently clear.

Article 26

Sufficiently clear.

Article 27

Sufficiently clear.

Article 28

Sufficiently clear.

Article 29

Sufficiently clear.

Article 30

Sufficiently clear.

Article 31

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Point a

The term of “squaring position” means a transaction which is conducted by Indonesian ACCD Bank to nullify an open position arising from the previous transaction.

Point b

Liquidity management includes balance management.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

## Article 32

Paragraph (1)

Point a

Sufficiently clear.

Point b

The term of “Indonesian non-ACCD Bank” means a Bank in Indonesia which is not an ACCD Bank.

Point c

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

## Article 33

Paragraph (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Unwind/cancel up is also known as unwind/cancel up.

Paragraph (2)

Sufficiently clear.

#### Article 34

Paragraph (1)

Point a

Sufficiently clear.

Point b

The term of “netting” means the settlement of transactions carried out without transfer of the principal funds, so that only the amount of funds that moves is the result of the calculation of the nominal transaction with a foreign exchange rate difference.

Paragraph (2)

Sufficiently clear.

#### Article 35

Paragraph (1)

The term of “gross position” means a total position occurring from buy transactions and sell transactions.

Paragraph (2)

Sufficiently clear.

Article 36

Sufficiently clear.

Article 37

Paragraph (1)

The obligation to prove Underlying Transaction documents applies to transactions in the LCS framework which meet certain criteria, such as types of transaction and nominal transaction.

The criteria are determined based on LCS framework between Indonesia and a Partner Country.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Article 38

Sufficiently clear.

Article 39

Paragraph (1)

Point a

Current account transaction is known as current account transaction.

Point b

Point 1

Investment with minimum equity ownership of 10% (ten percent) means direct and long term investment.

Direct investment is different from portfolio investment which is conducted through the financial market in the form of sell or buy securities and generally has a shorter term.

Point 2

Intercompany loan is extended by complying with Bank Indonesia provisions for application of the prudential principle in management of non-bank corporate offshore debts (KPPK).

Point c

Other Underlying Transactions refer to the LCS framework between Indonesia and a Partner Country.



Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 40

Sufficiently clear.

Article 41

Paragraph (1)

Point a

The term of “final Underlying Transaction document” or firm commitment means a legally binding document presenting payment obligation or right to receive payment in a fixed nominal amount.

Point b

The term of “anticipatory basis Underlying Transaction document” or anticipatory basis means document presenting an estimation of payment requirement or revenue based on historical data.

Paragraph (2)

The term of “gross estimation (gross basis)” means total estimation occurring from revenue and payment.

The term of “net estimation (net basis)” means total estimation which is the difference between revenue and payment.

Paragraph (3)

Sufficiently clear.

Article 42

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Point a

Sufficiently clear.

Point b

Hittable quotation is conducted by referring to the risk management of Indonesian ACCD Bank.

Paragraph (3)

Sufficiently clear.

Article 43

Sufficiently clear.

Article 44

Sufficiently clear.

Article 45

Sufficiently clear.

Article 46

Sufficiently clear.

Article 47

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Bank Indonesia provisions in payment system include provisions for implementation of payment transaction processing, which among others regulate processes of licensing, approvals, and obligations in implementation of payment system services.

Article 48

Sufficiently clear.

Article 49

Sufficiently clear.

Article 50

Sufficiently clear.

Article 51

Sufficiently clear.

## Article 52

### Paragraph (1)

#### Point a

The term of “technical failure” means failure which causes Indonesian ACCD Bank fails to submit a report and/or report correction to Bank Indonesia, among others are failure in the internal system of the Indonesian ACCD Bank and telecommunication network failure.

#### Point b

The term of “force majeure” means a condition which evidently causes Indonesian ACCD Bank fails to set up and submit a report and/or report correction, among others are fire, riot, terrorism, bombing, war, sabotage, and natural disasters such as earthquake and flood, which are confirmed by the authority or official from the relevant local institution.

### Paragraph (2)

Sufficiently clear.

## Article 53

Sufficiently clear.

Article 54

Sufficiently clear.

Article 55

Sufficiently clear.

Article 56

Sufficiently clear.

Article 57

Sufficiently clear.

Article 58

Sufficiently clear.

Article 59

Sufficiently clear.